CAPITAL COMMENTARY

from MN Higher Education Facilities Authority

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Brief reviews of financings recently completed by the Minnesota Higher Education Facilities Authority

Borrower/Issue: Concordia University, St. Paul ***Series Five-P1 and Five-P2***

Financing Vehicle: Tax Exempt and Taxable Variable Rate Demand Revenue Bonds

Project: The tax-exempt Five-P1 bonds will finance a portion of the costs of a new 45,000 square foot library and information technology center, the acquisition of adjacent land and improvements for future campus expansion and various capital improvements throughout the campus. The taxable Five-P2 bonds will refinance eleven loans incurred over a number of years and used to finance capital improvements at the University campus.

Issue Amount: $11,480,000 (Five-P1 for $4,250,000 and Five-P2 for $7,230,000)

Placement Method: Public sale, negotiated underwriting by Stern Brothers & Company

Term of Financing: 24 years

Structure: Five-P1 bonds and Five-P2 bonds mature in 2027. Interest only payments until maturity.

Interest Rate: Variable interest rate, reset daily with interest payable to bondholders monthly. The University has the option to change the interest reset dates, from time to time, choosing among daily, weekly or an interval of up to 270 days (Daily, Weekly or Commercial Paper Rates) or an interval of at least 12 months (Long Term Rates). In addition, the University may fix the interest rates of either or both series to maturity.

Rating: Moody's has rated both series of bonds VMIG1 (short term) and Aa2 (long term) based upon the strength of the letter of credit. The University has not requested an underlying rating.

Date of Settlement: March 13, 2003

Highlights: The issue was structured as two variable rate issues, secured by a letter of credit of U.S. Bank National Association. Bondholders may tender their bonds for purchase by the University on any business day. If any tendered bonds cannot be remarketed, then the bank as the third party liquidity provider will purchase the bonds. To ensure a successful offering and remarketing of the bonds, the University needed a letter of credit issued by a bank with a strong credit

Highlights Continued:

rating. Although Bremer Bank, National Association was willing to issue a letter of credit, its rating would not command the same investor interest as a letter of credit issued by U.S. Bank National Association. In order to preserve the lending and reimbursement relationship with Bremer Bank and still obtain a letter of credit with strong market appeal, the financing was structured so that U.S. Bank issued the letter of credit and will look for reimbursement by Bremer Bank (and not the University) for all letter of credit draws. Meanwhile, the University agreed to reimburse Bremer Bank for payments made to U.S. Bank for letter of credit draws and to pay related fees to Bremer Bank. Under the terms of its agreement with Bremer Bank, the University will make annual prepayments of principal on the bonds to avoid the balloon payment on both series upon final maturity. In addition, it plans to apply gifts that may become available to further reduce the principal, first on the taxable Five-P2 bonds and then on the tax-exempt Five-P1 bonds. This issue was split into two series in order to refinance the eleven loans that could not meet tax law criteria for tax exempt financing. The opportunity to consolidate and refinance the fixed interest rate loans at lower short term interest rates and the economy of scale of a large public offering of bonds, allowed the University to achieve substantial savings, even at the taxable rate.

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